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AUGUST 1986

Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

FACTS Survey:

Buying Gifts for Business

PLUS:

·Chicago Pre-Show Report ·Recipe Contests
·Do-it-Yourselfers ·Munich

EMPLOYEE MOTIVATION: Travel applications, p. 72

August 1986

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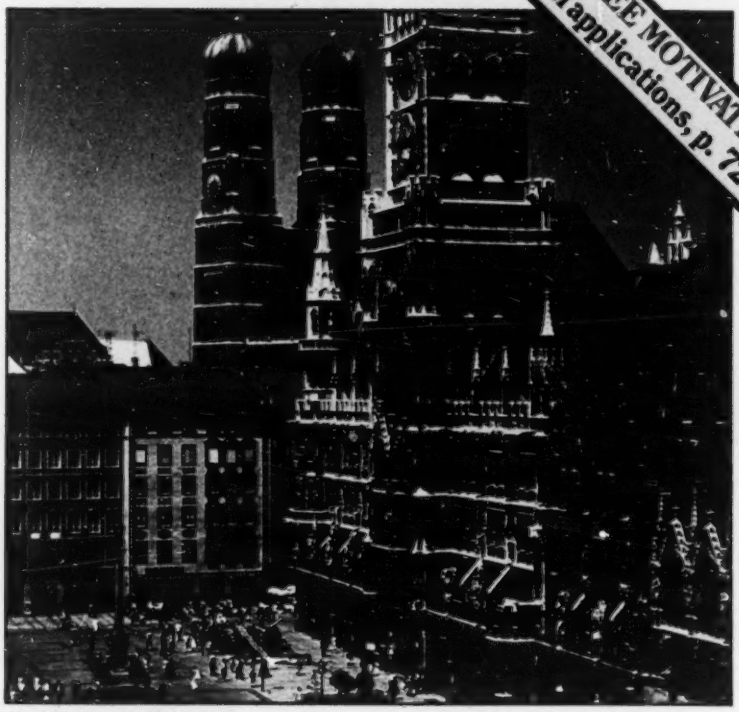

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- Confusion reigns in search for the best video format in camcorders.
- With do-it-yourself hardware rebounding, consumer and trade promotions flourish.
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Corporate executives predict a double-digit rise in their largesse for the first time since 1981.

FACTS Survey

Buying Gifts for Business

A surge of good feeling seems to have overtaken givers of business gifts this year. Executives just surveyed by **Incentive Marketing** are predicting a double-digit rise in their largesse for the first time since 1981.

Last year's gift bill was estimated at $1.18 billion. Projecting the early estimates yields a 1986 total of about $1.32 billion, based on the 11.7 percent increase suggested by the survey. That would be double the spending for business gifts in 1979.

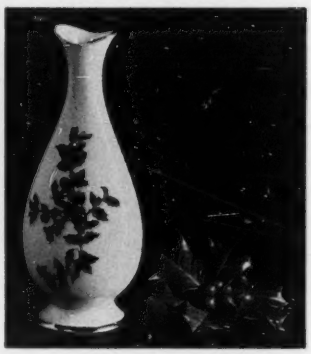
After a number of slow years when expenditures lagged behind the rest of the incentive field, business gifts had a spending spree in 1980 and 1981, with jumps of 13.4 percent and 18 percent. While this year's potential gain does not match the numbers of that period, it is more impressive when inflation rates are considered.

The gradual trend away from Christmas-only giving may have something to do with the increase. Although Christmas is still by far the favorite gift time, it has lost some ground: The last four surveys, including this one, show Christmas as the choice of 74 percent, 70 percent, 68 percent and now 67 percent. Not many years ago it was the primary gift choice of 80 percent to 85 percent of executives.

No one time has gained strongly at the expense of Christmas: Company anniversaries and

Gift Packets
Garland

For more information, circle No. 1 on Reader Action Card.



Holiday Small Vase
Lenox

For more information, circle No. 2 on Reader Action Card.

Gift Certificates
K mart

For more information, circle No. 3 on Reader Action Card.

Occasional Throw
Pendleton Woolen Mills

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Spacemaker II Microwave Oven
Black & Decker

For more information, circle No. 18 on Reader Action Card.

birthdays are listed by only 6 percent each, Thanksgiving by 3 percent and New Year's by 2 percent. The movement is in the area of "other occasions"—noted by 40 percent in this survey. These include plant visits, seminars, trade shows, employee outings, annual meetings, employee anniversaries, sales meetings and key sales calls at any time of year.

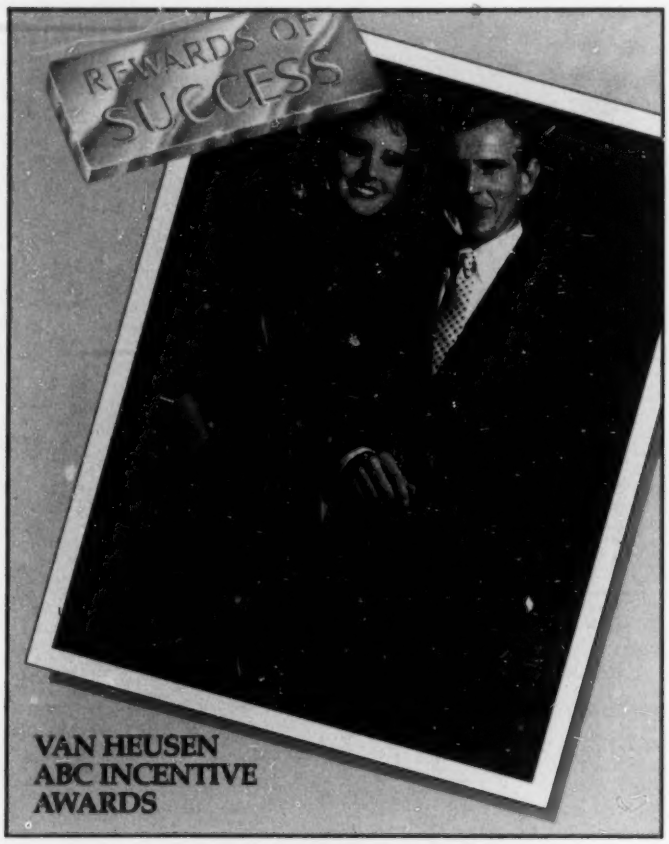
The tie to sales calls also is seen in the question of who presents the gift. The answer had been salespeople by 43 percent and 44 percent in the past two surveys, rising to 49 percent this year. At the same time, presentation by an executive has dropped from a 45 percent preference to 36 percent and now 33 percent. This coincides with a trend noted by **IM** last year: "The perennial 'thank-you' of business gifts continues to increase in favor as a marketer's good-will tool, but there are growing indications that an important 'please' is being built into the message gifts carry."

Despite the indication of a broader application of gifts last year, the estimate of expenditures did not reflect a significant increase. Usage rose only 5.1 percent, while the total incentive field gained 7.9 percent in 1985.

On an industry basis, purchase of business gifts is more broadly distributed than any other incentive category. In all other groups, the top 10 user industries account for at least half of total spending—up to 67 percent in incentive travel. For business gifts, the top 10 represent only 45 percent of the business.

Last year, four of the 10 largest users exceeded the rate of increase for all industries—with banks and savings and loans the leader, up 8.7 percent. In dollars, the big spender was auto parts at $103.7 million. Here is how the top 10 moved in their gift buying in 1985:

Auto parts, tires, accessories	**+5.0%**
Automobiles & trucks	**+5.2%**



ABC Incentive Awards Catalogue
Van Heusen

For more information, circle No. 5 on Reader Action Card.

Mark XXII Rifles
Weatherby

For more information, circle No. 6 on Reader Action Card.

Toiletries & cosmetics	**+5.1%**
Insurance	**+4.6%**
Banks, savings & loans	**+8.7%**
Electric appliances	**+5.6%**
Electronics, radio, TV	**+4.8%**
Food products	**+4.5%**
Building materials	**+6.4%**
Publishers, printers & broadcasters	**+3.8%**

This year's special survey brings responses from 368 business gift users. About 270 report dollar expenditure figures for 1985 and 1986, providing the basis for the estimate of an 11.7-percent increase in purchases. Forty-six percent report that they are increasing their gift buying, with 7 percent decreasing. The comparable figures from last year's survey group were 61 percent and 7 percent, respectively. Fewer are spending more this year—but showing larger individual increases.

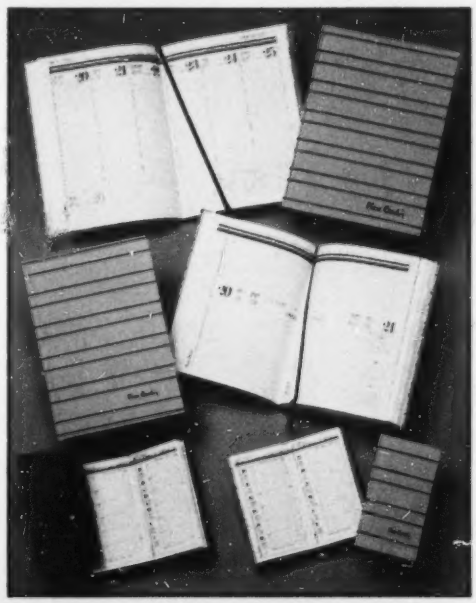
This year's executives are, in general, somewhat bigger spenders than the 1985 survey group. Last year, the average budget was $14,989. This year's respondents say they spent $17,461 for 1985 gifts and have budgeted an average of $19,503 for 1986. In both surveys, however, the median expenditure is $5,000, with the much higher averages reflecting the influence of some rather large users.

There is often a very narrow line between business gifts and advertising specialties. Both are often sold by the same people—ad specialty distributors. The two are usually differentiated by price and by the presence or absence of an advertising imprint. But increasingly in recent years those distinctions have blurred, at least in the minds of many of the survey respondents.

Thus, the word "advertising" often shows up in the comments readers make about gift practices. Ernest L. Waterhouse III, director of sales for the Pennsylvania Wire Rope Corporation, Martinsburg,

Auto parts companies are the biggest spenders, while banks and savings and loans show the greatest growth among top 10 business gift users.

Daily, Weekly & Pocket-Size Agendas
ArtMold/Pierre Cardin



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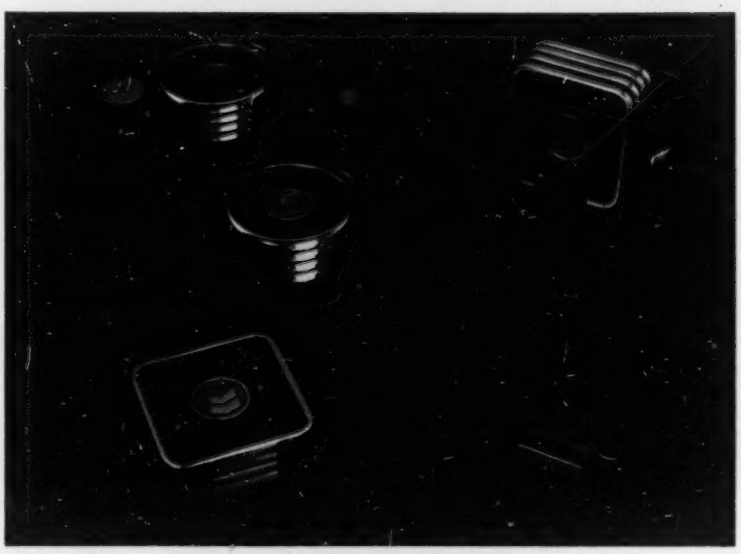


Dymondwood and Solid Brass Coaster Gift Ensembles
BTS Solid Brass Specialties

For more information, circle No. 8 on Reader Action Card.

W. Va., gives 100 or more gifts at Christmas to major customers—items in the $25 cost range and carrying a company-name imprint. He calls them "advertising for the company—helps keep our name in front of important customers."

A Southern manufacturer of oil-field products says, "Our gifts are small in value and have our advertising imprinted except during Christmas. In the last few years, most oil companies prohibit their personnel from receiving gifts except advertising specialties."

While it is not always called advertising, the reasons for gift usage are dotted with such words as "reminder," "our name," "image," "impression" and "awareness." For example, gifts averaging a little over $5 in cost are given to customers and prospects by Philip L. Pelletier, advertising manager of the Lawrence Eagle Tribune, N. Andover, Mass., to "generate awareness of our newspaper," he says. "We select gifts that are utilitarian but displayed, so that others will see the company name and phone number. Our gifts are so useful that we get many requests for replacements when they are consumed or out-of-date."

Notes James M. Kane, executive vice president of the Warner Manufacturing Corporation, a Kearny, N.J., maker of aluminum extrusions: "Our gifts bring our name to the attention of our customers in a subtle manner. They replace a sales call by one of our representatives."

Personalized gifts without advertising get the job done for Services International Inc., a Dalton, Ga., wholesaler of furniture and floor coverings. Gifts to major customers at Christmas cost up to $65 each. Says sales manager George W. Drum: "We give without expecting business in return, and it creates quite an impression not to want something in return. They appreciate your thought."

The question of an imprint—and whose—is one of taste as well as of cost and mechanics. This year's survey finds that 23 percent of executives prefer to personalize gifts for the recipient, up one point from last year and from 17 percent in 1984.

On the other hand, 65 percent of this year's group of gift buyers say they have a company imprint on gifts. The question was not asked in the past few surveys, but the current figure is much higher than was found in some earlier studies.

With or without advertising, the principal reason stated by most for giving is expressed in words like "thank-you," "good will" and "friendship." These feelings blend with some clear business value in the program of John B. Perry on the sales promotion staff of Kingsbury Machine Tool, Keene, N.H. "We use gifts as a means of saying thank-you or 'hello, I'm so-and-so from Kingsbury.' Many of our business friends are from long association and many years of mutually beneficial interests." His gifts, costing up to $50, are personalized and company-imprinted, including such items as pen and pencil sets, watches, and clocks given to customers, employees and stockholders.

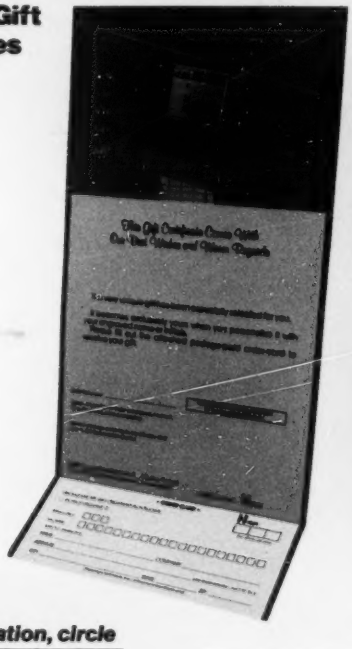
"We offer gifts as a token of appreciation for their business and primarily the friendship shared," says Cindy Gasser, sales manager of the Gasser Chair Company, Youngstown, Ohio. "Our dealer incentive gift distribution plan is primarily to let them know we acknowledge and appreciate their support and business." Gifts, costing about $8, go to major customers and employees at Christmas and in active summer sales months. They usually carry a company imprint.

About 500 gifts ranging in cost from $1 to $25 are given each year by electrical manufacturer Amo-

Racquet Court Sneakers
McDonough Incentive Division

For more information, circle No. 9 on Reader Action Card.

"Gift Now" Gift Certificates
Alcraft



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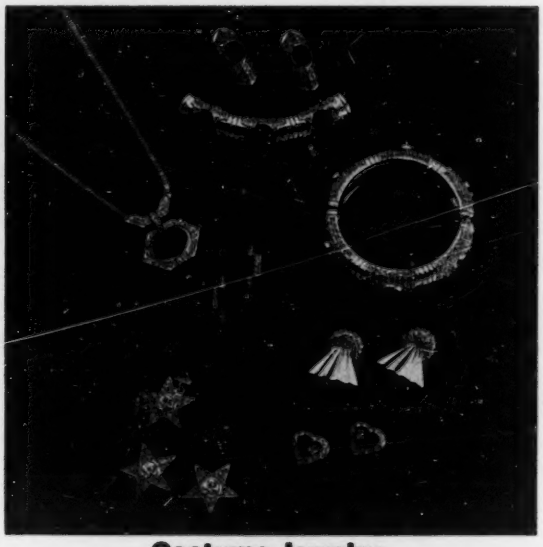


Costume Jewelry
Piscitelli

For more information, circle No. 11 on Reader Action Card.

lex Inc., Lisle, Ill., to major customers, prospects and employees. "It is our preference," states director of advertising A. Maag, "to purchase gifts that have quality and that will stay on a person's desk or can be used for a long period of time or even kept forever, thus justifying the cost even more...such as address books, sports classic books signed by authors, and apparel.

"I don't let gifts influence me, and I hope they don't influence our customers. They are to be considered nice gestures of appreciation and remembrance."

Gifts are "a matter of policy" for David A. Devins, president of Durable Outfitters Inc., a New York jewelry manufacturer. "If the recipient is pleased, I am also—I feel like a better person when giving."

And for George Pickard, executive director of the Roller Skating Rink Operators Association, Lincoln, Neb., who gives gifts mainly to the association's board of directors, gifts have a very simple purpose: "To create love." Certainly a good return for about $20 per gift.

Clicroller Gift Set
Pentel of America

For more information, circle No. 12 on Reader Action Card.

Some users have negative attitudes toward business gifts. While the word "custom" is often used in connection with the practice, the similar but less favorable "habit" was the one-word comment of a number of survey respondents.

Compact Binoculars
Minolta

For more information, circle No. 13 on Reader Action Card.

"Established tradition" is the term of similar import used by A.J. Phillips, sales manager of the Westvaco Corporation, based in Spring, Tex. He spends several thousand dollars a year on personal gift items for customers and prospects. "I personally question the value of business gifts at today's cost. The money could be better spent in areas where a directly measurable result is obtained."

Saul Horwitz, president of Central Jersey Supply, Mountainside, N.J., expresses mixed feelings: "I believe it is a necessary evil in many cases, but I do think that many people appreciate it, and I don't think that these gifts influence their decision."

Only 8 percent of respondents believe that their gifts have ever improperly influenced a customer's buying decision, while 9 percent believe that gifts they received were intended to exert improper influence.

Although there continues to be some formalized corporate prejudice against gifts, fewer respondents (66 percent) say they see it in their customers than those replying a year ago (74 percent). Among

Corduroy Jackets
DeLong

For more information, circle No. 14 on Reader Action Card.

TOP CHOICES

Pen	17%	Watch	5%
Clock	15%	Apparel	4%
Small appliance	13%	Book	4%
Calculator	9%	Coffee mug	4%
Calendar	7%	Golf balls	4%
Diary	7%	Candy	3%
Fruit or food basket	5%	Desk set	3%
Hat/cap	5%	Note pad	3%
Portfolio/briefcase	5%	Radio/tape player	3%
		TV set	3%

POPULAR CHOICES

Listed by 2 percent or more

Cheese	Steaks
Glassware	Travel
Luggage	VCR
Pen set	Wine

Listed by 1 percent or more

Address book	Lighter
Belt buckle	Paperweight
Camera	Ruler
Crystal	Sweater
Gift certificate	T-shirt
Ham	Tape measure
Jewelry	Tools
Key chain	Wallet

those who do see corporate anti-gift policies, the incidence remains the same at 30 percent.

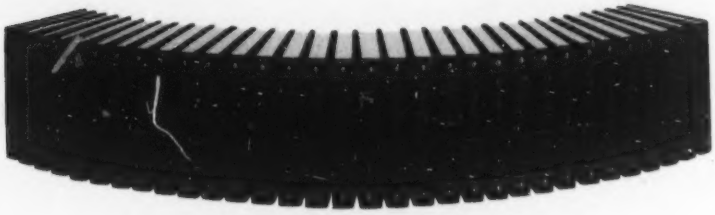
Among the great majority with no thought of cutting back on giving, the business gift often is seen as a means of insuring continued patronage. But a few see it as a more specific form of insurance: "We give business gifts as a peace offering when we want to smooth over a difficulty," says Linda Marie Cole, sales manager of Coffee Bean Luxury Service, N. Hollywood, Calif. "Here it helps get the relationship back on a positive footing."

Stephen Frank, marketing director of Handishop Industries Inc., Tomah, Wis., gives to major customers "to show appreciation of their business. Benefits include good business relationships and an open attitude towards correcting business difficulties."

At the Wheelabrator Corporation, a Mishawaka, Ind., machinery manufacturer, manager of marketing services Frank R. Pulice presents gifts to 400 to 500 major customers. He notes, "Business negotiations potentially are stressful, and because the subject matter does not influence personal lives, the atmosphere can become impersonal and cold. As the result of this, we like to offer a personal token of appreciation to help promote friendship and develop long-term, mutually beneficial business relationships."

Surveyed executives are showing some tendency to rein in their costs, even though overall expenditures are continuing to rise. Although this year's average unit cost is $41.89, slightly above the $39.30 average reported a year ago, the median has declined to $16.50 per gift from $18 a year ago.

As to future purchases, only 22 percent say they are looking at higher price tags, down from 30 percent last year. In both years, 5



Classic Brown Edition Encyclopedias
Encyclopaedia Britannica USA

For more information, circle No. 16 on Reader Action Card.

percent were planning to spend less.

For the number of gifts these marketers expect to buy, the average has increased greatly since last year—698 now, compared with only 340—but the median remains at 100 for both years.

Decisions are most often made by a company's top executive—president, chief executive officer, executive vice president or general manager—indicated by 58 percent in the present survey. Twenty-six percent say director of sales or marketing; 10 percent, director of advertising or sales promotion, and 6 percent, product or merchandising manager.

In most cases the same executive has the final say as to who receives the gifts. Major customers are the overwhelming favorite, chosen by 59 percent of respondents. About 42 percent give to employees, while 24 percent favor "all or most customers," 16 percent give to prospects, 3 percent to stockholders and 8 percent to other classes of recipient.

We asked these readers about five aspects of the mechanics of gift buying and presentation:

When do you order gifts?

January	**8%**
February	**9%**
March	**9%**
April	**9%**
May	**7%**
June	**8%**
July	**12%**
August	**11%**
September	**22%**
October	**26%**
November	**22%**
December	**11%**

Preferred type of gift

Personal merchandise	**55%**
Desk items	**49%**
Food	**19%**
Home or decorative items	**16%**
Liquor	**14%**
Recipient's choice of several	**8%**
Own products	**7%**

Source of business gifts

Direct from manufacturer	**41%**
Incentive representative	**28%**
Advertising specialty counselor	**27%**
Wholesaler or distributor	**26%**
Mail-order firm	**13%**
Incentive firm, jobber, stamp company	**12%**
Retail store	**11%**

How are gifts delivered?

Salesperson	**49%**
Executive	**33%**
Parcel delivery service	**29%**
Mail	**24%**
Messenger	**7%**

Where are gifts presented?

Recipient's place of business	**65%**
Recipient's home	**27%**
Donor's place of business	**24%**

Multiple responses result in totals exceeding 100 percent. ■

Midwestern Beef Steaks
Omaha Steaks International

For more information, circle No. 17 on Reader Action Card.